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AUGUST 2025

ENERGY MARKET UPDATE

NATURAL GAS, POWER, AND POLICY SPOTLIGHT

Energy Markets Show Mixed Signals: Gas Eases, Power Holds Firm

Energy markets are sending mixed signals as we enter August. Forward natural gas prices declined month-over-month, marking a slight pause in the summer rally, while power prices remained elevated across key Eastern markets. Despite short-term softness in gas prices, year-over-year comparisons still show meaningful gains, and fundamental pressures remain in play, such as high power-sector demand and weather risks.

Natural Gas Summary

Natural gas prices at Henry Hub **retreated in August** compared to July, with the forward curve showing month-over-month declines across contract months through July 2026. However, prices remain elevated relative to August 2024, suggesting continued longer-term bullishness. The August downturn reflects near-term market adjustments despite ongoing structural tightness.

- **YoY still higher-** Despite the MoM dip, most forward months remain $0.20–0.35/MMBtu above August '24 levels, underscoring a market that is cheaper than July but hardly cheap in historical terms.
- **Western basis pop-** Delivered gas prices rose across all Western hubs. SoCal Citygate, NW Sumas, Rockies, and Chicago winter peaks each sit $0.50–$0.80/MMBtu higher than last month and more than $2/MMBtu above Henry Hub, lifted by heat, constrained storage, and ongoing pipeline maintenance.
- **Key drivers to watch:**
  - Storage gap persists- Inventories trail last year by ~11 %.
  - Power-sector demand- Increased data center development and potential continued heat could drive up natural gas prices.
  - Hurricane season- NOAA still projects above-normal Atlantic activity, a wildcard for Gulf production and LNG exports.

Power Summary

On-peak forwards in PJM, NYISO, and ISO-NE **held steady or lowered by only $1–2/MWh** despite the pullback in the Henry Hub. Capacity costs and stronger implied heat rates offset cheaper gas.

- **PJM 2026/27 BRA pressure-** In PJM, capacity auction prices reached the clearing cap, highlighting reserve margins hovering around 18.9% versus the 19.1% requirement, further evidence of structural tightness. Retiring generation and sluggish new entry contributed to pricing pressure.
- **Prices remain stable-** PJM's 2026 on-peak strip remained averaging in the mid-$70s/MWh, holding steady with July levels. NYISO and ISO-NE followed a similar pattern, maintaining the mid-$70s/MWh forwards as well. These stable levels reflect limited supply growth, tight reserve margins, and continued demand risk.
- **Key drivers to watch:**
  - Policy uncertainty- Although recent federal efforts aim to accelerate energy infrastructure development, local permitting battles continue to delay new generation, especially fossil assets and transmission lines.
  - Growing base load from AI & data centers- AI expansion is driving baseline electricity demand upward.
  - Capacity constraints & reserve margins- Recent auction outcomes highlight underinvestment in firm capacity.

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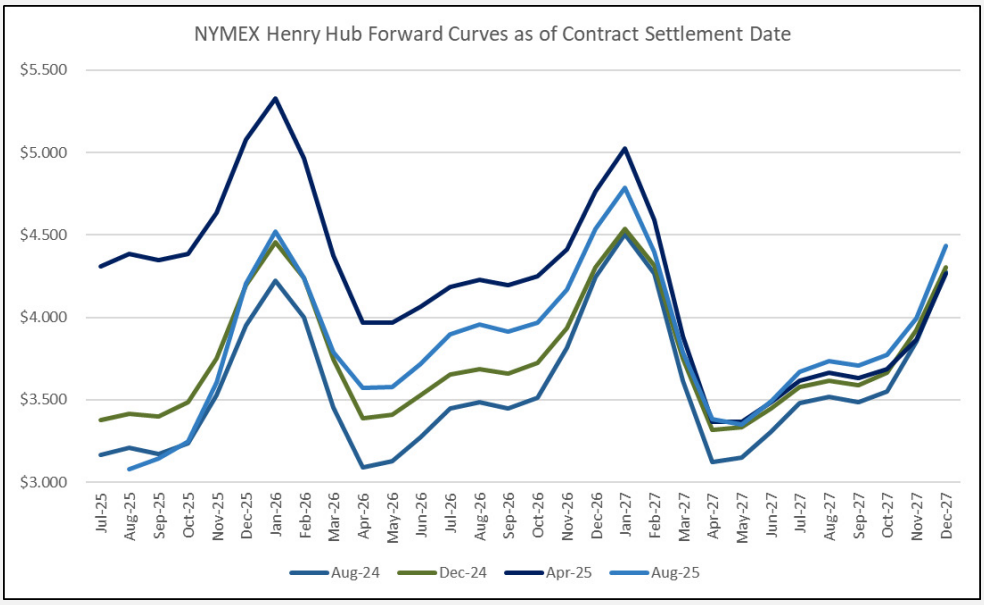
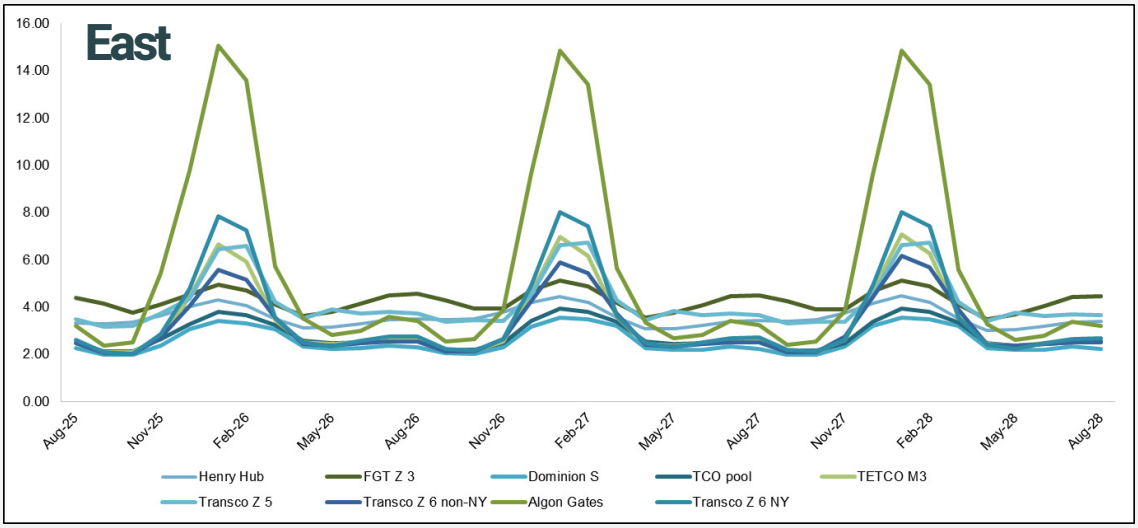
NATURAL GAS

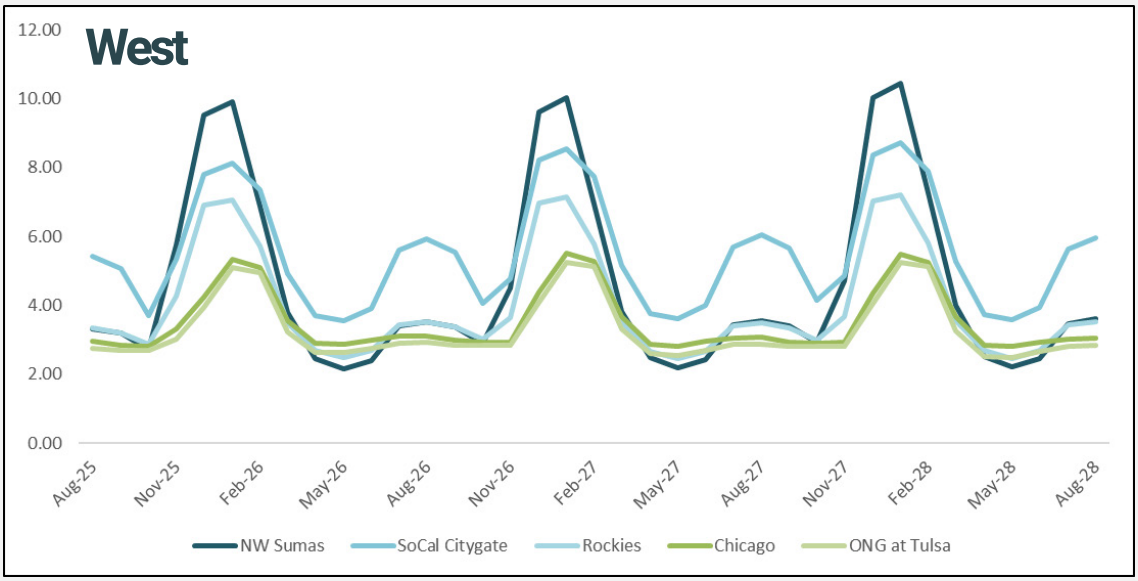
Forward Natural Gas Prices ($/MMBtu)

Historical Prices	
2021	$ 3.842
2022	$ 6.645
2023	$ 2.737
2024	$ 2.269

	Current	MoM	YoY
Aug-25	$ 3.081	$ (0.574)	$ (0.125)
Sep-25	$ 3.142	$ (0.509)	$ (0.030)
Oct-25	$ 3.247	$ (0.499)	$ 0.01
Nov-25	$ 3.607	$ (0.527)	$ 0.08
Dec-25	$ 4.205	$ (0.497)	$ 0.26
Jan-26	$ 4.521	$ (0.473)	$ 0.30
Feb-26	$ 4.239	$ (0.480)	$ 0.24
Mar-26	$ 3.790	$ (0.450)	$ 0.34
Apr-26	$ 3.573	$ (0.367)	$ 0.48
May-26	$ 3.580	$ (0.346)	$ 0.46
Jun-26	$ 3.717	$ (0.365)	$ 0.44
Jul-26	$ 3.899	$ (0.370)	$ 0.45
12 month Strip	$ 3.717	$ (0.455)	$ 0.242
Cal 2026	$ 3.989	$ (0.382)	$ 0.190
Cal 2027	$ 3.876	$ (0.099)	$ (0.100)
Cal 2028	$ 3.784	$ (0.007)	$ (0.129)
Cal 2029	$ 3.669	$ (0.019)	$ (0.243)

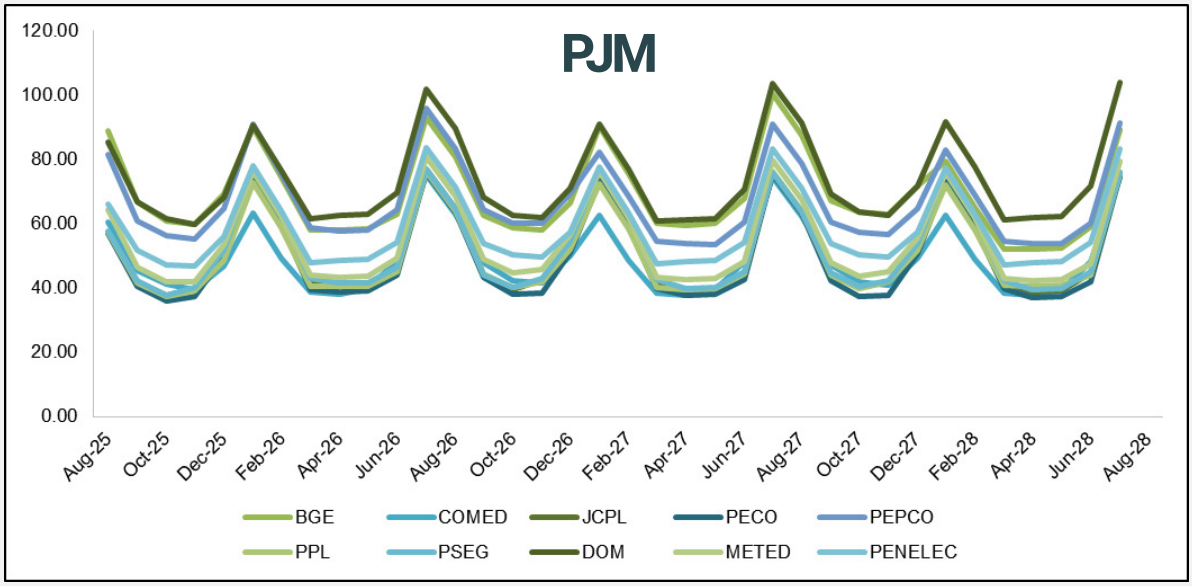


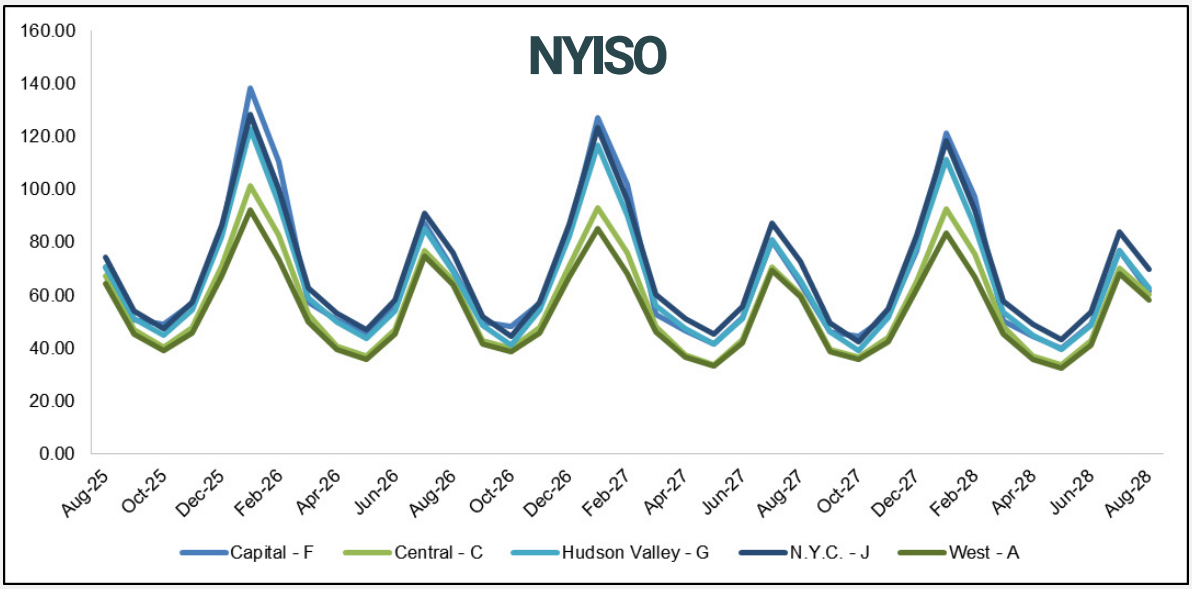


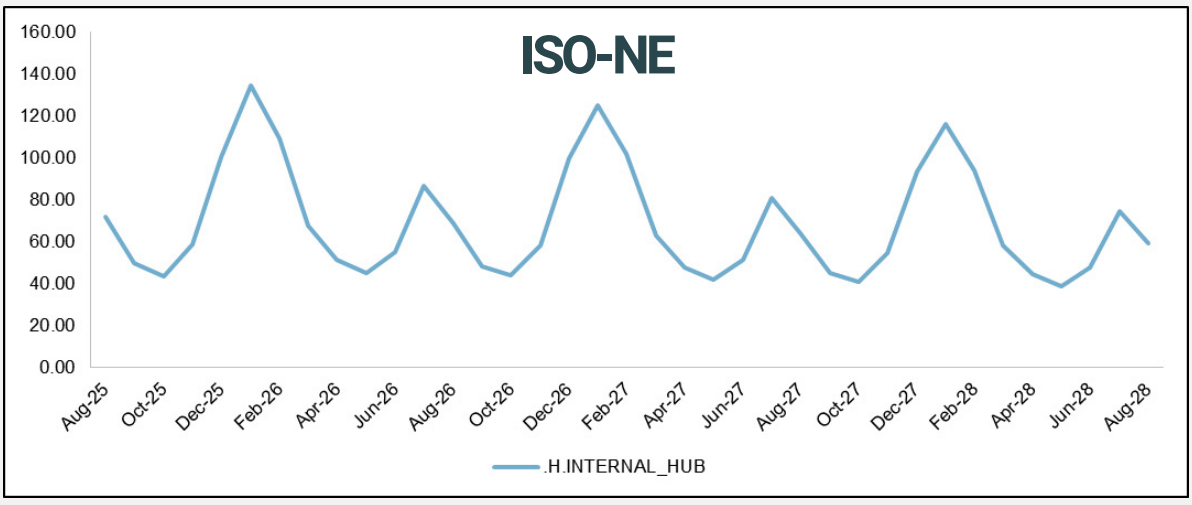


POWER

Forward On-Peak Power Prices ($/MWh)







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POLICY SPOTLIGHT

Surge in U.S. Gas-Fired Power Development

U.S. developers have announced plans for more than **80 GW of new gas-fired power capacity** through 2030 driven by accelerating demand from AI data centers, electrification, and reshoring of industrial production. However, that buildout is facing new constraints:

- Lead times for gas turbines now **exceed 5 years**
- Construction **costs have more than doubled** since pre-2021 levels
- Grid interconnection **queues are backlogged** in many RTOs

This is especially impactful in ISOs, like PJM and MISO, where capacity concerns were already pushing forward power prices higher. Until these new resources come online, structural tightness and volatility are likely to persist.

Executive Order to Accelerate Permitting for Data Center Infrastructure

On July 23, 2025, President Trump issued a new executive order instructing federal agencies to **fast-track approvals for data centers** and supporting **infrastructure on public lands.**

Key provisions include:

- Prioritizing data centers and AI-related infrastructure in federal permitting pipelines
- Accelerating environmental reviews under NEPA
- Coordinating between DOE, DOI, and FERC to streamline energy access

This policy will likely spur a wave of **high-load growth** in regions with historically modest demand, further **tightening local grid resources** and increasing the importance of both transmission investment and demand response planning.

Key Takeaways

- **Gas demand is set to grow-** Over 80 GW of planned gas-fired generation will significantly increase long-term natural gas consumption, especially during peak load periods and winter months.
- **Forward power prices may remain elevated-** Construction delays, supply chain issues, and permitting backlogs mean that new capacity will come online slowly, reinforcing tight reserve margins and supporting higher forward prices across PJM and MISO.
- **Basis differentials may widen-** Growing demand in the West and Mountain West from federal land-based data centers could amplify regional gas price spreads due to pipeline constraints and infrastructure lag.